

GOLDEN HOPE MINES LIMITED  
(INCORPORATED UNDER THE LAWS OF THE PROVINCE OF ONTARIO)  
BALANCE SHEET  
(Unaudited without review by auditor)

	June 30, 2008	Dec 31, 2007
<b>ASSETS</b>		
Current		
Cash	\$ 325,123	\$ 775,577
Accounts receivable	44,771	158,143
Notes receivable (Note 2)	30,000	105,000
Government grant receivable (Note 3)	420,490	-
Prepaid expenses and sundry assets	<u>111,672</u>	<u>178,388</u>
	932,056	1,217,108
Mining claims and deferred exploration expenditures (Note 3)	<u>11,205,980</u>	<u>10,244,090</u>
	<u>\$12,138,036</u>	<u>\$11,461,198</u>
<b>LIABILITIES</b>		
Current		
Accounts payable and accrued liabilities (Note 4)	\$ 775,560	\$ 538,330
Long-term debt (Note 5)	499,000	-
Future income taxes (Note 6)	<u>650,000</u>	<u>688,000</u>
	<u>1,924,560</u>	<u>1,226,330</u>
<b>SHAREHOLDERS' EQUITY</b>		
Share capital (Note 7)		
Authorized:		
Unlimited common shares		
Issued:		
52,021,047 common shares (2007-49,631,047)	15,342,572	15,038,822
Contributed Surplus	3,451,421	3,451,421
Deficit	<u>(8,580,517)</u>	<u>(8,255,375)</u>
	<u>10,213,476</u>	<u>10,234,868</u>
	<u>\$ 12,138,036</u>	<u>\$11,461,198</u>

See accompanying notes  
GOLDEN HOPE MINES LIMITED  
STATEMENT OF OPERATIONS AND DEFICIT  
FOR THE SIX MONTH PERIOD ENDED JUNE 30, 2008  
(Unaudited without review by auditor)

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Revenue:	<u>2008</u>	<u>2007</u>
Interest earned	\$ <u>8,680</u>	\$ <u>58,978</u>
Expenses:		
Shareholders' information	184,000	252,660
Property investigation	133,994	165,216
Management fees	119,145	113,000
General and administrative and salaries	<u>78,683</u>	<u>53,936</u>
	<u>515,822</u>	<u>584,812</u>
Net loss before income taxes	507,142	525,834
Income tax recovery	<u>182,000</u>	<u>-</u>
Net loss for the period	325,142	525,834
Deficit, beginning of period	<u>8,255,375</u>	<u>5,773,711</u>
Deficit, end of period	<u>\$8,580,517</u>	<u>\$6,299,545</u>
Loss per common share	\$ <u>0.007</u>	\$ <u>0.012</u>
Weighted average number of common shares during the period	<u>49,990,213</u>	<u>44,246,579</u>

See accompanying notes  
GOLDEN HOPE MINES LIMITED  
STATEMENT OF OPERATIONS AND DEFICIT  
FOR THE THREE MONTH PERIOD ENDED JUNE 30, 2008  
(Unaudited without review by auditor)

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Revenue:	<u>2008</u>	<u>2007</u>
Interest earned	\$ <u>1,463</u>	\$ <u>30,618</u>
Expenses:		
Shareholders' information	93,100	150,652
Property investigation	69,139	91,554
Management fees	72,145	56,500
General and administrative and salaries	<u>25,460</u>	<u>23,116</u>
	<u>259,844</u>	<u>321,822</u>
Net loss before income taxes	258,381	291,204
Income tax recovery	<u>182,000</u>	<u>-</u>
Net loss for the period	76,381	291,204
Deficit, beginning of period	<u>8,504,136</u>	<u>6,008,341</u>
Deficit, end of period	<u>\$8,580,517</u>	<u>\$6,299,545</u>
Loss per common share	\$ <u>0.002</u>	\$ <u>0.006</u>
Weighted average number of common shares during the period	<u>50,527,714</u>	<u>46,417,379</u>

See accompanying notes  
GOLDEN HOPE MINES LIMITED  
STATEMENT OF CASH FLOWS  
FOR THE SIX MONTH PERIOD ENDED JUNE 30, 2008  
(Unaudited without review by auditor)

	<u>2008</u>	<u>2007</u>
<b>CASH PROVIDED BY (USED IN):</b>		
<b>Operations:</b>		
Net loss	\$ (325,142)	\$ (525,834)
<b>Changes in non-cash components of working capital</b>		
Decrease (increase) in accounts receivable	113,372	(89,300)
Decrease (increase) in notes receivable	75,000	(160,543)
Increase in government grant receivable	(420,490)	-
Decrease in prepaid expenses	66,716	-
Increase (decrease) in accounts payable	<u>237,230</u>	<u>(195,184)</u>
	<u>(253,314)</u>	<u>(970,861)</u>
<b>Financing Activities:</b>		
Sale of common shares for cash	436,000	412,700
Value of common shares issued in consideration for resource properties	44,000	-
Advances from related parties	-	2,802
Agents' commissions	(32,250)	-
Increase in long-term debt	499,000	-
Decrease on future income taxes	<u>(182,000)</u>	<u>-</u>
	<u>764,750</u>	<u>415,502</u>
<b>Investing Activities:</b>		
Government grant	420,490	-
Mining claims and deferred exploration expenditures	<u>(1,382,380)</u>	<u>(672,984)</u>
	<u>(961,890)</u>	<u>(672,984)</u>
Decrease in cash	(450,454)	(1,228,343)
Cash, beginning of period	<u>775,577</u>	<u>3,888,343</u>
Cash, end of period	<u>\$ 325,123</u>	<u>\$2,660,000</u>

See accompanying notes  
GOLDEN HOPE MINES LIMITED  
STATEMENT OF CASH FLOWS  
FOR THE THREE MONTH PERIOD ENDED JUNE 30, 2008  
(Unaudited without review by auditor)

	<u>2008</u>	<u>2007</u>
<b>CASH PROVIDED BY (USED IN):</b>		
<b>Operations:</b>		
Net loss	\$ (73,680)	\$ (291,204)
<b>Changes in non-cash components of working capital</b>		
Decrease (increase) in accounts receivable	80,659	(63,012)
Decrease (increase) in notes receivable	20,000	(160,543)
Increase in government grant receivable	(420,490)	-
Decrease in prepaid expenses	36,921	-
Increase in accounts payable	<u>216,460</u>	<u>72,027</u>
	<u>(142,831)</u>	<u>(442,732)</u>
<b>Financing Activities:</b>		
Sale of common shares for cash	430,000	297,500
Reduction in advances from related parties	-	(1,698)
Agents' commissions	(32,250)	-
Increase in long-term debt	499,000	-
Decrease in future income taxes	<u>(182,000)</u>	<u>-</u>
	<u>714,750</u>	<u>295,802</u>
<b>Investing Activities:</b>		
Government grant	420,490	-
Mining claims and deferred exploration expenditures	<u>(1,025,600)</u>	<u>(387,958)</u>
	<u>(605,110)</u>	<u>(387,958)</u>
Decrease in cash	(33,191)	(534,888)
Cash, beginning of period	<u>358,314</u>	<u>3,194,888</u>
Cash, end of period	<u>\$ 325,123</u>	<u>\$2,660,000</u>

See accompanying notes

**GOLDEN HOPE MINES LIMITED**  
NOTES TO THE FINANCIAL STATEMENTS  
JUNE 30, 2008  
(Unaudited without review by auditor)

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## **1. Summary of Significant Accounting Policies**

### **Nature of Operations**

The accompanying financial statements have been prepared on the basis of accounting principles applicable to a going concern which presumes the Company will be able to realize its assets and discharge its liabilities in the normal course of business.

The Company is in the process of exploring its resource properties and has not yet determined whether the properties contain economically recoverable reserves. The recovery of the amounts shown for resource properties and the related deferred expenditures is dependent upon the existence of economically recoverable reserves, confirmation of the Company's interest in the underlying mining claims, the ability of the Company to obtain necessary financing to complete the development, future profitable production and the support of the Company's trade creditors.

The financial statements do not give effect to any adjustments to the amount of assets and liabilities that might be necessary should the Company be unable to continue as a going concern and therefore, be required to realize its assets and discharge its liabilities in other than the ordinary course of business.

### **Mining Claims**

Mining claims are carried at cost until they are brought into production at which time they are depleted on a unit-of-production basis.

Exploration expenditures relating to mining claims are deferred until the properties are brought into production at which time they are amortized on a unit-of-production basis.

The cost of claims abandoned or sold and the deferred exploration costs relating to claims abandoned or sold are charged to operations in the current year.

If, in the opinion of management, the results of exploration are not sufficiently promising to warrant further work, or further development has not occurred over a three year period there is a presumption of impairment and, accordingly, the carrying values will be written down to a nominal carrying value.

### **Administrative expenses**

Administrative expenses are charged to operations in the year incurred.

### **Use of Estimates**

The preparation of the Company's financial statements in conformity with Canadian generally accepted accounting principles requires management to make estimates that affect the amounts reported and disclosed in the financial statements. Actual results could differ from those estimates.

## **Income taxes**

The Company provides for income taxes using the liability method of tax allocation. Under this method, future income tax assets and liabilities are determined based on deductible or taxable temporary differences between financial statement values and tax values of assets and liabilities using enacted income tax rates expected to be in effect for the year in which the differences are expected to reverse.

## **Stock based compensation**

The Company accounts for stock-based compensation in accordance with CICA Handbook section 3870 “Stock-Based Compensation and Other Stock-Based Payments.” This standard requires that stock-based payments to non-employees and direct awards of stock to employees and non-employees are accounted for using a fair-value method of accounting.

## **Flow-through shares**

The Company will from time to time issue flow-through shares to finance a portion of its capital expenditure program. Pursuant to the terms of flow-through share agreements, the tax deductions associated with the expenditures are renounced to the subscribers. Accordingly, share capital will be reduced and a future tax liability will be recorded equal to the estimated amount of future income taxes payable by the Company as a result of the renunciations, when the renunciations are made.

## **Earnings per share**

Basic income per share is computed using the weighted average number of common shares outstanding during the year. Diluted income per share is computed using the weighted average number of common and potential common shares outstanding during the year. Potential common shares consist of the incremental common shares issuable upon the exercise of stock options and warrants using the treasury stock method.

## **Foreign currency translation**

The monetary assets and liabilities of the Company denominated in foreign currencies are translated at the rate of exchange at the balance sheet date. Revenues and expenses are translated at the average exchange rate prevailing during the period. Exchange gains or losses are included in operations.

## **Accounting changes**

The CICA issued section 1506 of the CICA Handbook, *Accounting Changes*, which establishes criteria for changing accounting policies and describes how to apply changes in accounting policies, accounting estimates, and changes resulting from the correction of errors. These changes, including the related disclosure requirements, came into effect as of January 1, 2007 and did not impact these financial statements.

## **Changes in accounting policy**

Effective January 1, 2007, the Company adopted the new recommendations of the Canadian Institute of Chartered Accountants (“CICA”) under CICA Handbook Section 1530 “Comprehensive Income” (“Section 1530”), Section 3251 “Equity”, Section 3855 “Financial Instruments – Recognition and Measurement” (“Section 3855”), Section 3861 “Financial Instruments – Disclosure and Presentation” and Section 3865 “Hedges”. These new sections, which apply to fiscal years beginning on or after October 1, 2006, provide requirements for the recognition and measurement of financial instruments and on the use of hedge accounting. Section 1530 establishes standards for reporting and presenting comprehensive income which is defined as the change in equity from transactions and other events from non-owner sources. Other comprehensive income refers to items recognized in comprehensive income but that are excluded from net income calculated in accordance with Canadian generally accepted accounting principles.

Under Section 3855, all financial instruments are classified into one of five categories: held-for-trading, held-to maturity investments, loans and receivables, available-for-sale financial assets or other financial liabilities. All financial instruments and derivatives are measured in the balance sheet at fair value except for loans and receivables, held-to maturity investments and other financial liabilities which are measured at amortized cost. Subsequent measurement and changes in fair value will depend on their initial classification as follows: (1) held-for-trading financial assets are measured at fair value and changes in fair value are recognized in net income; (2) available-for-sale financial instruments are measured at fair value with changes in fair value recorded in other comprehensive income until the instrument is unrecognized or impaired; and (3) all derivative instruments, including embedded derivatives, are recorded in the balance sheet at fair value unless they qualify for the normal sale normal purchase exemption and changes in their fair value are recorded in income unless cash flow hedge accounting is used, in which case changes in fair value are recorded in other comprehensive income.

As a result of the adoption of these new standards, the Company has classified its cash as held-for-trading.

Receivables are classified as loans and receivables. Accounts payable and accrued liabilities are classified as other financial liabilities, all of which are measured at amortized cost.

Section 3855 also provides guidance on accounting for transaction costs incurred upon the issuance of debt instruments or modification of a financial liability. Transaction costs are now deducted from the financial liability and are amortized using the effective interest method over the expected life of the related liability.

As a result of the application of Section 3855, the Company has determined that no adjustment is necessary to the opening deficit balance.

### **Asset Retirement Obligations**

The Company follows CICA Handbook Section 3110 "Asset Retirement Obligations" which establishes standards for asset retirement obligations and associated retirement costs related to site reclamation and abandonment.

The fair value of the liability for an asset retirement obligation is recorded when it is incurred and the corresponding increase to the asset is depreciated over the life of the asset. The liability is increased over time to reflect an accretion element considered in the initial measurement at fair value. As at March 31, 2008 the Company has not incurred any significant asset retirement obligations related to the exploration and development of its mineral properties.

### **Impact of accounting policies not yet adopted**

In December 2006, the Canadian Institute of Chartered Accountants published new Section 1535, "Capital Disclosures". The new section establishes standards for disclosing information about an entity's capital and how it is managed. This new standard is effective for fiscal years beginning on or after October 1, 2007 and the Company implemented it as of January 1, 2008. The new accounting standard only addresses disclosures and will have no impact on the Company's financial results.

In June 2007, the Canadian Institute of Chartered Accountants modified Section 1400, "General Standards of Financial Statement Presentation", in order to require that management make an assessment of the Company's ability to continue as a going concern over a period which is at least, but is not limited to, twelve months from the balance sheet date. These new requirements are effective for fiscal years beginning on or after January 1, 2008 and the Company implemented them as of January 1, 2008. The new requirements only address disclosures and will have no impact on the Company's financial results.

Financial Instrument-Disclosures, Section 3862, describes the required disclosures related to the significance of financial instruments on the entity's financial position and performance and the nature and extent of risks arising from financial instruments to which the entity is exposed and how the entity manages those risks. The section complements the principles of recognition, measurement and presentation of financial instruments of section 3855, Financial Instrument-Recognition and Measurement.

Section 3863 Financial Instruments-Presentation. This section establishes standards for presentation of financial instruments and non-financial derivatives. It complements standards of Section 3861 Financial Instruments-Disclosures and Presentation. The Company is currently evaluating the impact of the adoption of this new Section on the financial statements.

## 2. Notes receivable

The notes receivable are due from Optimus Asset Management Inc., a Company related to a shareholder and director of the company. The notes are non-interest bearing, unsecured and due on March 31, 2008.

## 3. Mining Claims and Deferred Exploration Expenditures

	Opening	Additions	Government Grant	Closing
Bellechasse, Panet and Ware Townships, Quebec				
Acquisition	\$ 933,053	\$ 817,000	\$ -	\$ 1,750,053
Exploration	9,144,986	565,380	(420,490)	9,289,876
Pembroke, Maine, USA				
Acquisition	<u>166,051</u>	<u>-</u>	<u>-</u>	<u>166,051</u>
	<u>\$10,244,090</u>	<u>\$1,382,380</u>	<u>\$(420,490)</u>	<u>\$11,205,980</u>

### Bellechasse, Panet and Ware Townships Property

The Company holds a block of contiguous claims subject only to a 10% net profit royalty. The claims were acquired from Gold Belt Mining Ltd.

On November 19, 2007, the Company acquired the remaining interest in claims located in Bellechasse Township, Quebec, for \$275,000 on the following terms: (i) the issue of 166,668 common shares of the Company valued at \$0.30 for \$50,000 in order to earn an additional 25% interest; (ii) \$100,000 cash payable on or before May 10, 2008 in order to earn an additional 25% interest and (iii) \$125,000 cash payable on or before November 28, 2008 in order to earn the remaining 25% interest. The claims would not be subject to any royalties.

On March 3, 2008, the Company acquired five additional contiguous claims located in Bellechasse Township, Quebec on the following terms: (i) \$25,000 cash payment and the issue of 200,000 common shares of the Company valued at \$0.22 for \$44,000 upon signing the agreement and (ii) the issue of 200,000 common shares of the Company valued at \$0.22 for \$44,000 on or before December 31, 2008. The claims would not be subject to any royalties.

On June 17, 2008, the Company acquired twenty-two additional contiguous claims located in Bellechasse Township, Quebec on the following terms; (i) \$25,000 cash payment and the issue of 100,000 common shares values at \$0.12 for \$12,000 upon signing the agreement; (ii) \$50,000 cash payment, the issue of 150,000 common shares valued at \$0.12 for \$18,000 and property expenditures of \$100,000 on or before June 17, 2009; (iii) \$75,000 cash payment, the issue of 200,000 common shares values at \$0.12 for \$24,000 and property expenditures of \$150,000 on or before June 17, 2010 and (iv) property expenditures of \$250,000 on or before June 17, 2011. The claims would not be subject to any royalties.

The property now consists of approximately 1,300 claims for a total of 47,837 hectares (118,205 acres).

On August 8, 2008, the Company received a grant of \$420,490 from the Ministry of Revenue of Quebec in connection with expenditures on the property for the year ended December 31, 2007.

## **Pembroke, Maine, USA**

Pursuant to an agreement dated October 1, 2007, the Company had purchased the surface rights in certain properties located in Pembroke in the state of Maine, U.S.A. and described as follows:

Mains Properties - containing approximately 160 acres.

Gardner Property - containing approximately 67 acres.

Part of Wilder Properties - containing approximately 15 acres.

The properties were acquired for \$122,375 (\$125,000 USD).

On May 15, 2007, the Company reached a settlement agreement for the purchase of the land located in Pembroke, Washington County, U.S.A., being the northwestern half of lot number six (6) in the fourth (4th) range, containing approximately 100 acres, from Irene and Gary Moore, for a total settlement amount of \$41,056 (\$36,000 USD).

### **4. Accounts payable and accrued liabilities**

Included in accounts payable is an accrual for a judgement rendered on December 2, 2004 against the company in the amount of \$79,833. At June 30, 2008, this amount is still outstanding and bears interest plus costs.

Also included in accounts payable is an accrued liability of \$225,000 for the purchase of the remaining 50% interest in claims in Bellechasse Township, Quebec, pursuant to the agreement of November 19, 2007. An accrued liability of \$44,000 has been recorded for the acquisition of claims located in Bellechasse Township, Quebec on March 3, 2008. An accrued liability of \$180,000 has been recorded for the acquisition of claims located in Bellechasse Township, Quebec on June 17, 2008 (Note 3).

### **5. Long-term debt**

An accrued long-term liability of \$499,000 has been recorded for the acquisition of claims located in Bellechasse Township, Quebec on June 17, 2008 (Note 3).

### **6. Income taxes**

The tax effect of significant temporary differences representing future tax liability is as follows:

Future income tax liabilities	2008	2007
Renounced expenditures	\$ 1,609,000	\$ 1,454,000
Operating loss carry forwards	(818,000)	(636,000)
Share issue costs	<u>(141,000)</u>	<u>(130,000)</u>
	<u>\$ 650,000</u>	<u>\$ 688,000</u>

As at June 30, 2008, the Company has losses carried forward which are deductible from future income for tax purposes and the losses expire as follows:

2008	\$ 148,000
2009	99,000
2010	197,000
2011	142,000
2015	91,000
2016	138,000
2017	<u>945,000</u>

As at June 30, 2008, the Company had exploration and development expenses totaling approximately \$6,725,000 available to reduce future years' taxation income.

## 7. Related party transactions

The Company was charged management fees in the amount of nil (2007 - \$4,500) from 154327 Canada Inc., a Company controlled by the past chairman and president of the Company.

By directors' resolution dated April 9, 2008, it was resolved that the current president of the Company be paid a salary of \$150,000 for the year ended December 31, 2008 and receive a 1% bonus on financings when he's actively involved.

The Company was charged management fees and salaries in the amount of \$68,100 (2007 - \$96,500) by the current president of the Company. He also charged a bonus of \$4,300 in connection with the private placement of \$430,000 during the period which amount is included in agents' commissions (Note 8). In addition, the Company made statutory employee contributions of \$3,045 (2007 - nil) on his behalf.

The Company was charged management fees in the amount of \$48,000 (2007 - \$26,000) by 9132-8757 Quebec Inc., a Company owned by the vice-president of the Company.

During the period, the Company was charged nil (2007 - \$14,250) consulting geological fees by another director.

During the period, the current president of the Company was entitled to reimbursement of expenses of \$31,735 (2007 - \$29,548).

During the period, the vice-president of the Company was entitled to reimbursement of expenses of \$7,760 (2007 - \$28,405).

## 8. Share capital

### Common shares

	Number of shares	Amount
Balance, December 31, 2007	49,631,047	\$ 15,038,822
Issued on flow-through private placement	2,150,000	430,000
Issued on exercise of options for cash	40,000	6,000
Issued in consideration for resource properties	200,000	44,000
Agents' commissions	-	(32,250)
Reduction for future income tax liability	-	(155,000)
Tax benefit of share issue costs	<u>-</u>	<u>11,000</u>
Balance, June 30, 2008	<u>52,021,047</u>	<u>\$ 15,342,572</u>

On June 6, 2008, the Company issued 2,150,000 flow-through common shares by way of a private placement at a price of \$0.20 per share for \$430,000. In conjunction with this placement, the Company paid commissions of \$32,250 and issued broker warrants to purchase 139,750 common shares at a price of \$0.24 per share, expiring December 7, 2008.

On July 11, 2008, the Company issued 3,764,706 flow-through common shares by way of a private placement at a price of \$0.17 per share for \$640,000. In conjunction with this placement, the Company paid commissions of \$41,600, a bonus of \$6,400 to the current president of the Company and a bonus of \$10,700 to the vice-president of the Company. Broker warrants were issued to purchase 114,706 common shares at a price of \$0.24 per share, expiring January 11, 2010.

## 9. Stock based compensation

A summary of the status of the Company's stock option plan as of June 30, 2008 and 2007 and changes during the periods then ended are as follows:

	Number of options	2008 Weighted Average Exercise Price	Number of options	2007 Weighted Average Exercise Price
Outstanding, beginning of period	5,165,000	\$ 0.32	8,794,000	\$ 0.27
Issued during the period	200,000	0.35	-	-
Exercised during the period	(40,000)	0.15	(1,730,000)	0.16
Expired during the period	(189,000)	0.14	(1,855,000)	0.15
Cancelled during the period	<u>-</u>	<u>-</u>	<u>(3,000,000)</u>	<u>0.50</u>
Outstanding, end of period	<u>5,136,000</u>	<u>\$ 0.33</u>	<u>2,209,000</u>	<u>\$ 0.16</u>

At June 30, 2008, the following stock options were outstanding:

Options	Price	Expiry
450,000	\$0.15	February 24, 2009
44,000	0.20	June 15, 2009
50,000	0.20	July 6, 2009
32,000	0.20	April 4, 2010
100,000	0.25	May 19, 2010
4,260,000	0.35	September 30, 2010
200,000	0.35	April 11, 2011

## 10. Segmented information

The Company's operations comprise a single reporting operating segment engaged in the exploration of mineral resources. As operations comprise a single reporting segment amounts disclosed in the financial statements for revenue, expenses and loss for the period also represent segment amounts.

## 11. Comments for U.S. readers

Differences in the Generally Accepted Accounting Principles ("GAAP") between those utilized in Canada and those utilized in the United States create differences in the treatment of certain transactions and the disclosures contained in the financial statements. Accordingly, disclosure of those differences and reconciliation with United States accounting practices is appropriate for United States readers of the financial statements.

The financial statements of the Company for the six month period ended June 30, 2008 and the year ended December 31, 2007 have been prepared in accordance with the generally accepted accounting principles as applied in Canada (Canadian "GAAP"). In the following respects, generally accepted accounting principles as applied in the United States ("U.S. GAAP") differ from those applied in Canada.

There would be no adjustments needed to arrive at net loss for the six month period ended June 30, 2008 and the year ended December 31, 2007 if U.S. GAAP were employed. Similarly, there would be no adjustments

needed to arrive at shareholders' equity as at June 30, 2008 and December 31, 2007 if U.S. GAAP were employed.

### Accounting for future (deferred) income tax

The significant differences between U.S.GAAP and Canadian GAAP in the accounting for future income taxes relate to the treatment of proposed changes in income tax rates and terminology. Under Canadian GAAP, future income tax assets and liabilities are measured using substantively enacted tax rates and laws expected to apply when the differences between the accounting basis and tax basis of assets and liabilities reverse. Under U.S. GAAP, future income tax assets and liabilities are called deferred income tax assets and liabilities and are measured using only currently enacted tax rates and laws. As at June 30, 2008 and December 31, 2007, the difference in rate determination did not result in any adjustments from Canadian to U.S. GAAP since any deferred tax assets were not considered more likely than not to be realized and, accordingly, a full valuation allowance was recorded on such assets.

### Contributed surplus

There is a difference between U.S. GAAP and Canadian GAAP for contributed surplus with respect to terminology. Under U.S. GAAP, contributed surplus is called "additional paid in capital".

## 12. Statement of Shareholders' Equity

	Common Shares		Share Subscription	Contributed Surplus	Deficit	Total
	Shares	Amount				
Balance, December 31, 2005	26,001,829	\$9,857,321	\$5,000	\$51,019	\$(4,349,459)	\$5,563,881
Sale of common shares for cash – net of share issue costs	17,082,053	4,836,296	(5,000)	-	-	4,831,296
Common shares issued on settlement of debt	1,549,190	531,783	-	-	-	531,783
Common shares issued to satisfy finders fees	298,507	36,500	-	-	-	36,500
Fair value of stock based compensation	-	-	-	1,426,900	-	1,426,900
Fair value of purchase warrants	-	(1,029,024)	-	1,029,024	-	-
Reallocation on exercise of options and warrants	-	127,261	-	(127,261)	-	-
Tax benefit of share issue costs	-	218,000	-	-	-	218,000
Net loss	-	-	-	-	(1,424,252)	(1,424,252)
		=				
Balance, December 31, 2006	44,931,579	14,578,137	-	2,379,682	(5,773,711)	11,184,108
Sale of common shares for cash	4,152,800	725,560	-	-	-	725,560

Common shares issued on settlement of debt	380,000	57,000	-	-	-	57,000
Common shares issued for mining claims	166,668	50,000	-	-	-	50,000
Reduction for future income tax liability	-	(722,400)	-	-	-	(722,400)
Fair value of stock based compensation	-	-	-	1,422,264	-	1,422,264
Reallocation on exercise of options and warrants	-	350,525	-	(350,525)	-	-
Net loss	<u>-</u>	<u>=</u>	<u>-</u>	<u>-</u>	<u>(2,481,664)</u>	<u>(2,481,664)</u>
Balance, December 31, 2007	49,631,047	15,038,822	-	3,451,421	(8,255,375)	10,234,868
Sale of common shares for cash	2,190,000	436,000	-	-	-	436,000
Common shares issued for mining claims	200,000	44,000	-	-	-	44,000
Agents' commissions	-	(32,250)	-	-	-	(32,250)
Reduction for future income tax liability	-	(155,000)	-	-	-	(155,000)
Tax benefit of share issue costs	-	11,000	-	-	-	11,000
Net loss	<u>-</u>	<u>=</u>	<u>-</u>	<u>-</u>	<u>(325,142)</u>	<u>(325,142)</u>
Balance, June 30, 2008	<u>52,021,047</u>	<u>\$15,342,572</u>	<u>\$ -</u>	<u>\$3,451,421</u>	<u>\$(8,580,517)</u>	<u>\$10,213,476</u>